

**TOWNSHIP OF CHATHAM  
AFFORDABLE HOUSING  
FREQUENTLY ASKED QUESTIONS PART 2**

Welcome to the second post of FAQs on Affordable Housing in Chatham Township. Part 1 of the [FAQs](#) covered the history and administration of Affordable Housing, the Dixiedale Farm rezoning for townhomes, and the Skate Park as a site for the Arbor Green Affordable Housing units associated with the Dixiedale development. As stated in Part 1, these FAQs will continue to be updated as necessary.

**A. Chatham Township's Affordable Housing Strategy**

Q. What is the Township's Affordable Housing Strategy?

A. Faced with an Affordable Housing obligation, any community can react in three basic ways.

1. A community can refuse to settle and fight its obligation in the Superior Court of New Jersey. However, the New Jersey Supreme Court ruled in its Mount Laurel decisions that every municipality has an obligation under the state constitution to provide a realistic development potential for Affordable Housing. The Township attorney has advised that it is improbable that the Township would prevail in such a litigation based upon the established law. The Township Committee decided such litigation would be a waste of money.
2. A community can re-zone adequate land for developers to meet a town's Affordable Housing obligation which requires any new residential development to set aside 15% of any rental units and 20% of for sale units for affordable housing. In exchange for this set-aside, the property owner receives a density bonus of up to 12 to 15 units to an acre. Under this strategy, Chatham Township's 200-unit RDP would require total construction of 1,000 new dwelling units. Because of the impact 1,000 new dwellings in the Township would have on traffic, school population, tree removal and overall density, the Township Committee decided against this option.
3. A community can pursue the construction of 100% municipally sponsored affordable developments to meet its obligation. On December 13, 2018, the then Township Committee selected this option as the core of its Affordable Housing strategy, knowing that a 100% affordable strategy can be more expensive to the municipality and would require the contribution of municipally-owned land. But eliminating the additional 80% market-rate units will have less impact on student

enrollment, school costs, traffic, the environment and many other attributes that make Chatham Township what it is.

## **B. Chatham Township's Affordable Housing obligation**

Q. What is Chatham Township's Affordable Housing obligation?

A. Chatham Township is obligated to create a realistic development opportunity for 387 affordable housing units under Round 3 of the state's Affordable Housing program, a period from 1999 to 2025.

Q. Why is the Third Round for a period from 1999 to 2025?

A. The Third Round started in 1999 because the Council on Affordable Housing was unable to adopt legally sustainable rules to govern the determination of each municipality's Affordable Housing obligation during this period. In 2015, the New Jersey Supreme Court decided to reassert jurisdiction over the administration of Affordable Housing in New Jersey. So, the period starts in 1999 and ends in 2025 or 10 years after the Supreme Court decision and coincides with the 10 year Master Plan cycle.

Q. How was the Township's obligation determined?

A. The Township's Round 3 obligation could have been as high as 645 units as argued by the Fair Share Housing Center, Inc. (FSHC). However, that initial number was negotiated to 387 in the [Settlement Agreement](#) adopted by the Township Committee on December 13, 2018. Of this 387 obligation, 200 units are defined as a Realistic Development Potential (RDP) which must be provided for as part of the Settlement Agreement. The RDP is fulfilled by using the following mechanisms:

8 units – Regional Contribution Agreement with the City of Newark

72 units – Vernon Grove Condominium at Chatham Glen extension of affordability controls (for sale)

24 units – Arbor Green at Chatham (Skate Park) (for rent)

74 units – At a site or sites owned by the Township (for rent)

178 Total

24 - Bonus credits for Arbor Green at Chatham

26 - Bonus credits for the site or sites owned by the Township

50 Bonus credits

228 Total units and credits

4 – Excess credits from Second Round

232 Total

The remaining 155 units are defined as Unmet Need. Unmet need is addressed through an overlay zone at Fairmount Commons which provides a future option to the property owner to redevelop that property for up to 36 residential units, with an affordable housing set-aside of either 20% if for sale and 15% if for rental. Unmet need is also addressed through a municipal wide set-aside ordinance.

### **C. The definition of names and locations**

Q. What is Vernon Grove?

A. The Vernon Grove Condominiums at Chatham Glen have existed since 1986 and, after 30 years, their affordability controls were scheduled to expire in 2016. However, the Vernon Grove Homeowners Association and Chatham Township negotiated an agreement to extend the affordability controls for another 30 years in exchange for an initial Township payment of \$60,000 and additional payments of \$29,000 each year for 30 years.

Q. What is a Regional Contribution Agreement?

A. Chatham Township contributed financially to the construction of Affordable Housing in Newark under an RCA program. RCAs are no longer permitted by law.

Q. What is Arbor Green?

A. Arbor Green is the 24-unit Affordable Housing development at the Skate Park. As part of the Township rezoning the Dixiedale Farm for an inclusionary development, market rate units at Dixiedale and affordable units off-site at the Skate Park, the Dixiedale developers agreed to build and manage those affordable units, equivalent to 31% of the Dixiedale development, which is significantly more than the 20% state affordable housing set-aside requirement. As additional benefits for the Township, the developers also committed to restore the Dixiedale mansion and to protect 40% of the property as open space accessible to the public.

Q. What are bonus credits?

A. A community can earn bonus credits for family rental units.

Q. On what municipally-owned site will affordable units be constructed?

A. The Township Committee has identified the Municipal Building at 58 Meyersville Road as the best site for up to 74 units of Affordable Housing.

## **D. Who will Pay?**

Q. How will the Township pay its Affordable Housing costs?

A. Other than the land contribution, there is no municipal cost to construct Arbor Green which the developer of the Dixiedale market-rate townhomes is building and managing as part of its agreement with the Township. But when a municipal contribution is required for a 100% municipally sponsored affordable development, there are only two sources of revenue for Affordable Housing:

1. Increase taxes for all Township residents.
2. Adopt a Development Fee Ordinance as has been done in most municipalities.

Q. What is Chatham Township doing?

A. The Township Committee by a 3-2 vote on Nov. 14, 2019, introduced a Development Fee Ordinance which would impose a 1.5% fee on the increased equalized assessed value of any new home; on any knockdown-rebuild, and on any new addition which doubled the equalized assessed value of a home or increased its size by 2,500 square feet. The 2,500 square foot threshold was a compromise between two options – one for 3,000 and another for 2,000 square feet.

Q. What else can Development Fees pay for?

A. Development Fees go into an Affordable Housing Trust Fund which can only be used for Affordable Housing expenses, including the Township's \$29,000 annual payment to Vernon Grove and administrative costs up to 20% of the Trust Fund. Without a Trust Fund, all of these expenses would be paid by all property owners through their tax rate.

## **E. School impact/Tax and PILOT payments**

Q. How will 98 units of Affordable Housing and Dixiedale's 53 units impact student enrollment, school expenses, and municipal taxes?

A. Student enrollment projections call for a total increase of 50 students from Dixiedale and the two Affordable Housing developments. Based on a cost per pupil of \$9,735, these 50 students will add approximately \$485,000 in increased school costs. which will be more than covered by a school tax levy offset of \$636,000 from Dixiedale. (The comparison uses a per pupil cost of \$9,735 instead of the \$15,000-plus

figure used for the school budget because 50 new students – an average of four at each grade level – would not increase costs for fixed expenses such as principals, central office administration, lawn mowing, etc.)

Q. What does a “tax levy offset” mean?

A. Dixiedale's 53 townhomes are expected to generate approximately \$950,000 in total real estate taxes a year. Because the school district receives 67 cents of every tax dollar, this would translate to approximately \$636,000 from Dixiedale every year. However, a separate check is not written to the school district. Instead, this additional revenue is distributed across the tax base; thus reducing the tax burden on other taxpayers as a tax levy offset.

Q. What is the revenue projection for the Township and the County of Morris?

A. Chatham Township will receive an estimated \$165,000 in tax revenue a year from Dixiedale and an additional \$17,000 Payment in Lieu of Taxes (PILOT) from the Affordable Housing at Arbor Green. Morris County will receive \$153,000 in taxes from Dixiedale and a \$900 PILOT payment from Arbor Green. The PILOT from the additional 65 Affordable Housing units at the Municipal Building is not yet known. Unless otherwise negotiated, a PILOT is divided 95% to the municipality and 5% to the county.

Q. That estimate of 50 new students appears low, why?

A. The enrollment projections are based on studies by the Bloustein School of Planning at Rutgers University. However, Chatham Township can also base its projections on local experience:

1. The 56-unit Rose Valle Townhomes have generated 1 public school student for each of the last two years. Dixiedale, with 53 slightly smaller townhomes, is projected to generate an average of 3.5 students a year.
2. The 72 owner-occupied units at the Vernon Grove Affordable Housing development generate 9 public school students a year. The 65 rental units at the Municipal Building are projected to generate 34.
3. The 24 rental units at the Arbor Green Affordable Housing development are projected to generate an average of 12.5 public school students per year.

Q. Has the Township communicated these enrollment projections to the school district?

A. Yes. Township representatives met with school executives, and have adjusted per pupil costs slightly at their suggestion.

## **F. The Dixiedale road to approval**

Q. What was the original rezoning request for the Dixiedale Farm?

A. In 2016, Developers Sterling/Sun Homes asked the Township to change the zoning of the Dixiedale Farm from single family to multi-family to allow a townhome development. Under the original zoning, the 30-acre property located between Hillside Avenue and River Road could have accommodated approximately 15 single-family homes. The contract purchasers sought permission to build 54 townhomes and committed to restore the historic mansion for use as a clubhouse and 4 residential units (later reduced to 3, for a total of 53 units), and to preserve 40% of the property as public open space. At this point, while the Township had filed a declaratory judgment action to fix the Township's Third Round Affordable Housing obligation, the overall Affordable Housing Plan had not been developed. Sterling/Sun Homes offered to design, obtain approval, finance, construct and operate an affordable housing development as part of the Dixiedale development, at no financial cost to the Township, provided that the Township contributed a municipally-owned property as a site. The Affordable Housing part of the Dixiedale development ultimately became Arbor Green at Chatham with 24 apartments on the Skate Park site. At 31% of the total combined units, Arbor Green significantly exceeds the 20% affordable standards required by the state. It should be noted that the Skate Park had been zoned for Affordable Housing for an extended period preceding this property being used for a Skate Park.

Q. Why would the owners of Dixiedale seek a zoning change?

A. In a published interview, owners Betsie and Matthew Haar stated they were approached by developers who wanted to build up to 500 units. The Harrs selected Sterling/Sun Homes because of the firm's interest in low-density townhomes more in keeping with the wishes of family patriarch Sam Averett who, prior to his death in 2012, said he did not want the property to be over-developed. Betsie Haar said even single-family homes would be more intense than the proposed townhomes. Sterling Properties, a part of Sterling/Sun Homes, developed Rose Valle at Chatham and the Township had experience with Sterling's housing product.

Q. Was the zoning changed?

A. Yes. The Township Committee rezoned Dixiedale after the Planning Board reviewed the requested rezoning and found it inconsistent with the Township's Master Plan but recommended the change because it would benefit important Master Plan goals including: Affordable Housing, the preservation of open space and the restoration of historic buildings.

Q. What happened next?

A. After the Township rezoned Dixiedale but before Sterling/Sun Homes filed site plan applications, Chatham Township was sued by the Fair Share Housing Center, Inc. The Township had not yet settled its lawsuit with FSHC fixing the municipality's Affordable Housing obligation. In this lawsuit, FSHC argued that Dixiedale, as one of the largest undeveloped tracts in the Township, was a potential site for at least 302 units, with at least 48 affordable units. FSHC's lawsuit was dismissed after the Township Committee adopted its Affordable Housing settlement on December 13, 2018, and Sterling Homes filed site plan applications for both developments. In the event that the Township does not fulfill the requirements of the December 13, 2018 Settlement Agreement, it is likely that FSHC will seek to reopen its suit challenging the Dixiedale rezoning and to prevent Dixiedale from being developed with only 53 units.

Q. When were Dixiedale and Arbor Green finally approved?

A. On October 21, 2019, after three years of planning and public hearings, the Planning Board voted to approve both Dixiedale and Arbor Green.

Q. Why didn't the Township buy Dixiedale?

A. Township representatives held discussions with Dixiedale's owners to buy the land for open space but could not reach agreement on acceptable terms. Chatham Township had recently received \$14 million from Morris County – which still is the largest grant in the history of the County's Open Space Preservation Trust Fund -- to purchase the 133-acre Giralda Farms on Woodland Avenue.

## **G. Why the Municipal Building site?**

Q. How did the Township Committee select the Municipal Building site?

A. The settlement agreement of Dec. 13, 2018, committed the Township to identify a municipally-owned site or sites for 74 Affordable Housing units by July, 2019. Over the past 12 months the Township has examined municipally owned land and is currently

operating under a time extension granted by the Superior Court of New Jersey. In addition to the Municipal Building, the three top sites were:

1. River Road west of the Cardinal Hill Apartments. The Township, which acquired this property through foreclosure in early 2019, spoke with numerous developers and a conceptual design for Affordable Housing was developed. However, because of steep slopes and high site development costs, the only option was a 4- or 5-story apartment building with a significant municipal contribution for site preparation and a 2,000-foot sewer extension. The Township Committee decided not to proceed with this site.
2. The compost/recycling area on Tanglewood. The Superior Court appointed Special Master who visited the site concluded it was not feasible because of the encroaching wetlands and the safety issues resulting from the long, single driveway.
3. The Police Department/DPW site. Large portions of the DPW site are restricted by wetlands, and there is no suitable location to relocate the DPW garages, salt dome or gasoline tanks. After consideration, it was rejected by the Township Committee.

Other municipally-owned parcels were considered and deemed not feasible because of wetlands, steep slopes, or because its purchase with Green Acres funds limited its use to recreational purposes. Smaller parcels were also not feasible because any development of less than 65-75 units would yield inadequate rental revenues to make the development viable (unless the affordable development was partnered with a market-rate development such as Arbor Green and Dixiedale).

Q. What makes the Municipal Building site the best choice?

A. Even without the Affordable Housing issue, the Township is facing significant costs and important decisions about the future of the Municipal Building. A 2008 facility study recommended that the building needed \$3.8 million in interior and exterior upgrades. More than 10 years later, those upgrades to the 50-year-old building are now projected at \$4.6 million including a new roof, new HVAC system, new boilers, and new windows. The 40,000-square-foot building is far too large for the 15 full-time and part-time employees who work there. It is too expensive to operate, costing more than \$120,000 a year for gas/electric/water.

Q. What limits are being placed on the developer of new Affordable Housing?

A. The Township is in discussions with a developer to determine if Affordable



Housing is feasible at 58 Meyersville. The conceptual plan is to demolish the existing one-story building and build a three-story structure on the existing concrete slab. Construction is limited to the existing footprint because of adjacent wetlands. The Senior Center and gym will have to relocate temporarily during construction, but will return upon completion. The Township will retain ownership of the ballfield, playground, gym, the adjacent parking lot, and the Senior Center. At three stories, the developer believes 65 apartment units can be constructed, but not 74 units. Other alternatives are being reviewed for one or two group homes.

Q. What will it cost the Township?

A. Because the Municipal Building is a 100% municipally sponsored affordable housing development, the Township would have to adopt a resolution expressing its intent to bond for a financing construction shortfall. However, the developer must first apply for state and federal tax credits, and prepare engineering documents to determine the cost of the development, neither of which could be done until the developer was formally authorized by the Township.

#### **H. Why is discussion of the Municipal Building occurring now?**

Q. Why were the sites not announced sooner?

A. The Township Committee is prohibited from publicly discussing matters under litigation. Premature public discussion could have scuttled settlement discussions with FSHC. Public discussion could also have doomed the Township's acquisition of the River Road property, which at the time was considered the most viable site for Affordable Housing. Now that these issues can be discussed publicly, the Township Committee plans an aggressive communications plan including: public discussions at regular Township Committee meetings, scheduling a special Township Committee meeting dedicated to public discussion of this issue, Saturday morning Q and A sessions, the posting of this FAQ document on the Township website, and the posting of all agendas and official actions, as always, on the website for public review.

Q. Is this selection decision final?

A. The Township Committee believes this is the best decision to solve three interconnected problems – Affordable Housing, Municipal Building expenses, and Police Headquarters deficiencies (More on the Police HQ below). However, if new information surfaces that makes it impossible to proceed with this strategy, the Township would have to ask the Superior Court of New Jersey for permission to amend its settlement plan.

Q. What is the problem with Police HQ?

A. The Police Building, constructed in 1976, no longer complies with state standards. The Department has been notified by the New Jersey Department of Corrections that its two holding cells are too small and should be replaced with six larger cells with male and female cells in separate areas. The Township is also required by state regulation to construct a sally port, which is a secure garage which assures that prisoners are never outside a locked door when being transported. In addition, the roof and HVAC system need replacement and the electrical system requires an upgrade, all with an estimated cost of \$5 million.

Q. What is the plan?

A. The next step is to hire an architect to design a new combined Administration and Police Department Municipal Building to be located near the existing Police HQ and DPW.

Q. What will a new Police/Administration building cost?

A. Preliminary estimates indicate it will cost less to build and operate a new, properly sized, energy efficient combined Administrative and Police Department building than to upgrade and maintain two 1970s era buildings. A 30-year comparison shows that construction, interest on bonds, and operating costs could total \$23.2 million for the two existing buildings, compared to \$18.1 million for a new combined building – a \$5 million difference due largely to utility costs which are projected to total \$6 million for the two current buildings compared to \$1.8 million for a new energy efficient building over 30 years.

Q. What are the next steps?

A. Identify a developer to construct 65-74 Affordable Housing units at the Municipal Building site. Once a developer is selected, the development will proceed through the normal Planning Board process, similar to the process followed by Arbor Green at Chatham, including presentation of site plans and traffic studies at public hearings. If approved, construction is estimated to begin in 2021. Meanwhile, the Township Committee will continue to present concepts to the public while working with the Senior Center and others to temporarily locate programs. The Township Committee also will continue discussions with the Joint Recreation Committee of the Chathams to provide gym space during construction for ongoing programs. The Township also will research temporary locations, if necessary, for the temporary relocation of municipal staff.